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ARMS OUTLAY RISE IN SOVIET IS SEEN

Pentagon Intelligence Agency Relates Estimated Growth to Higher Weapon Cost

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WASHINGTON, July 20 — The Defense Intelligence Agency has estimated that the Soviet Union is spending more of its national wealth for military power than previously reported.

At the same time, the agency has found that the output of some weapons has declined as Soviet military planners move to more advanced and more expensive weapons. A similar trend is under way in the United States.

The Defense Department's intelligence arm has also predicted that Soviet oil production will continue to rise slowly until 1985, level off for five years, and then resume its rise in the 1990's. This forecast is at odds with that of the Central Intelligence Agency.

The Defense Intelligence Agency's assessments were presented to the Joint Economic Committee of Congress on June 29 by the agency's director, Lieut. Gen. James A. Williams. His report was made public by Senator William Proxmire, Democrat of Wisconsin and a member of the committee.

The agency's assessment of Soviet military spending appeared to support a contention of the Reagan Administration that the United States must increase military spending to deter the expansion of Soviet military power.

Skepticism Voiced in Congress

But the reported decline in weapons production has led staff specialists in Congress to suggest that a reversal in the Soviet buildup may have set in.

"We could be seeing a moderation in their defense production," said one official.

The prediction on Soviet oil production may affect United States military strategy in the oil-producing region around the Persian Gulf. Some Administration officials have said that they expect the Soviet Union to invade Iran within this decade because Soviet oil production will have begun dropping. In that event, United States strategy would be to threaten the Soviet Union with a direct military confrontation.

According to the agency, the Soviet Union was previously estimated to spend 12 to 14 percent of its national wealth for military purposes. A new calculation, based on recent prices in rubles, put it at 14 to 16 percent.

The United States spent 4.9 percent of the gross national product for the military in 1980 and will spend about 5.7 percent this year. The agency said Soviet military spending in 1980, the latest year calculated, was \$252 billion compared with \$168 billion in the United States.

Fluctuations to Be Watched

Senator Proxmire said in a statement, however, that "the economic evidence needs to be watched closely to see whether Soviet defense spending rates go up or down in future years."

With Soviet economic growth slowing, more income has evidently been drained from consumers in the Soviet Union. But General Williams told the Joint Economic Committee that "a continued upward trend in military spending is likely," as the military continues to take top priority.

The report submitted by General Williams showed sizable declines in the production of tanks, other armored vehicles, self-propelled antiaircraft artillery, transport planes, submarines and both large and small surface ships.

Officials of the agency said the decline in tank production was due to retooling to produce new models. Anti-aircraft artillery is being phased down as missiles replace guns. Fewer but larger transport planes are being turned out.

The officials said the trend was especially noticeable in the navy, where aircraft carriers and cruisers rather than frigates were being built.

Machine Tools Used as Key

The officials said that a major indicator for a continued rise in Soviet military spending was a projection for machine tool output during the current five-year plan, ending in 1985. Machine tools for civilian industries are set to rise by 34.8 percent over the 1980 level while those destined for military production are to go up by 43.4 percent, according to the intelligence report.

The Central Intelligence Agency and the Defense Intelligence Agency have differed in forecasts of Soviet oil production for several years, with the C.I.A. predicting that production would begin to drop and the Soviet Union would thus become an importer of Middle Eastern oil in competition with the United States.

Some senior Administration officials have accepted this rather than the Defense Intelligence Agency estimate and have planned forces, such as the Rapid Deployment Force, to confront the Soviet Union if it tried to move into the Persian Gulf.

In its recent report, the Defense Intelligence Agency noted that Soviet oil output was planned to rise from 603 million tons in 1980 to 630 million tons in 1985, and was likely to be 614 million tons this year. It is expected to level off in the second half of the decade while new transport and storage facilities are being built.

In the 1990's, the report said, Soviet oil production will probably surge. In addition, "natural gas production will continue to grow through 1990 and beyond, making up for any slowdown in oil production growth," the report said.